

TAYLOR COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Taylor County School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2008 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2008, on our consideration of the Taylor County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 7 and budgetary comparison information on pages 32 and 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on Pages 34 through 38 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on Pages 39 through 41 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

October 29, 2008

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2008

As management of the Taylor County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the District's General Fund was \$1,771,805 as compared to \$493,867 for the year ending balance on June 30, 2008.
- A continued concerted effort focused on purchasing in the areas of supplies, food, energy and travel resulting in several economies due to management strategies designed to affect savings.
- On August 24, 2007, the Taylor County Board of Education traded its maintenance building on 1364 South Columbia Avenue plus \$30,000 cash to obtain Campbellsville Board of Education's ½ interest in the 9,869 square foot office building on 104 Roberts Road. The trade was approved by the Taylor County Board of Education on July 17, 2007. The office building was largely a gift from Community Trust in 2006. At date of gift, the property given was valued at \$500,000 and Taylor County Board of Education received a ½ interest for \$15,000 cash at that time. The trade was approved by the Taylor County Board of Education on July 17, 2007.
- Interest income earned in FY 2008 was \$226,207 as compared to \$232,398 in 2007. Total revenue increased by 5.5 percent for all governmental from \$20,481,120 in FY 07 to \$21,618,962 in FY 08.
- During fiscal 2007, SEEK (state) funding decreased by one percent over the prior year, and in fiscal year 2008, the District's SEEK increased by 6.77 percent over fiscal year 2007.
- The General Fund had \$20,340,511 (including the beginning balance) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers of \$30,854 for local technology matching funds, there were \$19,815,791 in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district's total principal bonded indebtedness decreased by \$529,682 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2008

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,219,389 as of June 30, 2008 as compared to \$6,593,067 as of June 30, 2007.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the Period Ending June 30, 2008 and 2007:

	2008	2007
Current Assets	\$ 2,875,509	\$ 4,195,675
Non-Current Assets	12,981,502	12,899,477
Total Assets	15,857,011	17,095,152

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2008

	2008	2007
Current Liabilities	1,199,704	1,239,662
Non-Current Liabilities	8,437,918	9,262,423
Total Liabilities	9,637,622	10,502,085
Net Assets		
Investment in Capital Assets (Net of Debt)	4,196,502	3,334,477
Restricted	1,741,424	1,681,122
Unrestricted	281,463	1,577,468
Total Net Assets	\$ 6,219,389	\$ 6,593,067

COMMENTS ON BUDGET COMPARISONS

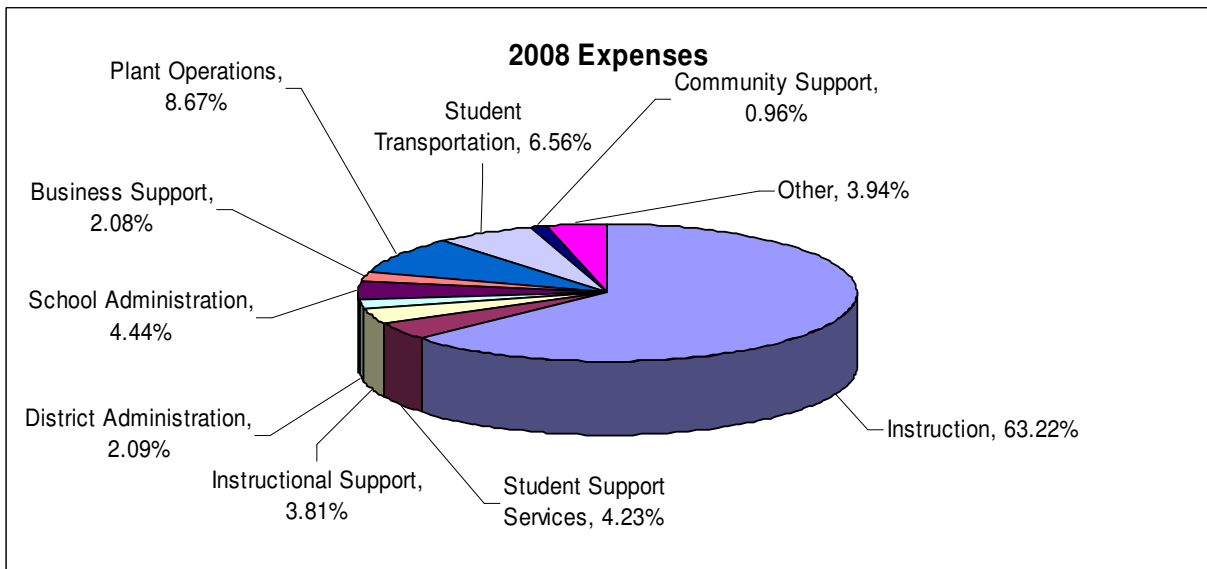
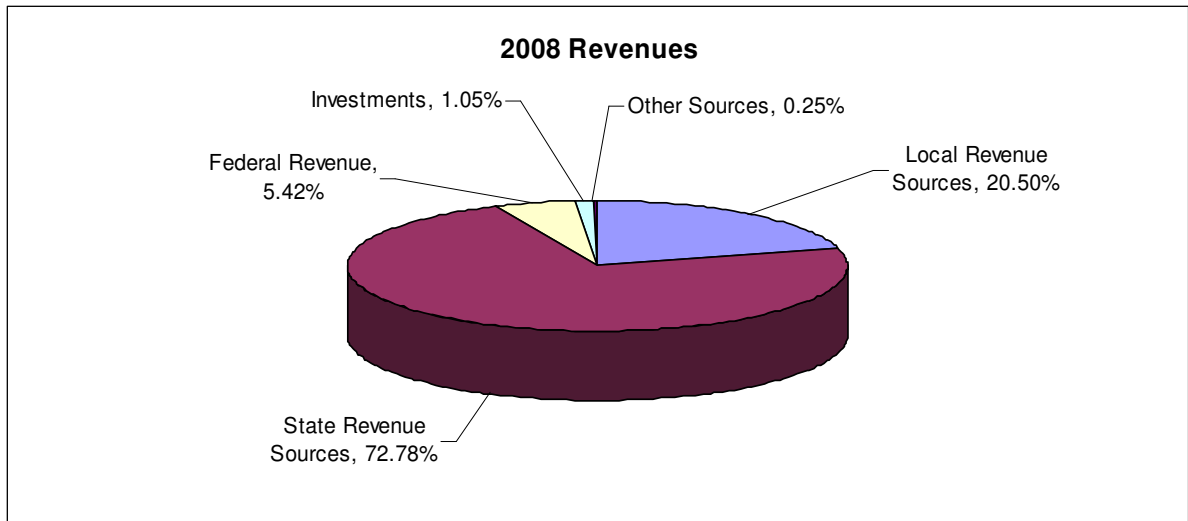
- The District's total revenues for the fiscal year ended June 30, 2008, net of inter-fund transfers and on-behalf payments, were \$18,064,105.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$294,065 more than budget (excluding on-behalf payments from the state of \$3,560,305).
- General fund final budget expenditures to actual varied by \$199,801 (excluding on-behalf payments from the state of \$3,560,305).

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2008 and 2007

	2008	2007
Revenues:		
Local Revenue Sources	\$ 4,432,814	\$ 4,196,879
State Revenue Sources	15,733,224	14,770,757
Federal Revenue	1,172,552	1,242,275
Investments	226,207	232,398
Other Sources	59,613	41,863
Total Revenue	21,624,410	\$ 20,484,172
Expenses:		
Instruction	\$ 14,440,156	\$ 13,316,331
Student Support Services	966,901	752,600
Instructional Support	869,721	804,382
District Administration	477,843	376,478
School Administration	1,013,447	967,924
Business Support	474,250	594,505
Plant Operations	1,978,999	1,510,199
Student Transportation	1,498,506	1,427,637
Community Support	219,656	208,752
Other	899,407	933,241
Total Expenses	22,838,886	20,892,049
Revenue in Excess/(Deficit) of Expenses	\$ (1,214,476)	\$ (407,877)

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2008

The following pie charts are included as additional illustrations of the District's revenues and expenses for the year ended June 30, 2008.



TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2008

GENERAL FUND REVENUE SOURCES

General fund receipts in FY 2008 were derived from three sources: local taxes account for 22 percent of all revenue; state sources were responsible for 77 percent of general fund revenue; federal sources totaled .2 percent; and an additional .8 percent came from investment income, the sale of property and other miscellaneous fees.

GENERAL FUND EXPENDITURE CATEGORIES

General Fund expenditures in FY 2008 were spread among more than one dozen functions.

<u>Expenditure Category</u>	<u>Percent</u>
Instructional Activities (<i>teachers, instructional assistants, instructional supplies, materials & equipment</i>)	64
Plant Operations	9
Student Transportation	8
School Administration Support (principal's offices)	5
Student Support Services (<i>pupil attendance, guidance, social work, health, psychologist, speech pathologists, occupational and physical therapy, services for the visually impaired</i>)	5
Instructional Staff Support	4
District Administration Support (<i>board of ed, office of superintendent</i>)	2
Business Support Services	2
Community Services, Site Improvement, Debt Service & Fund Transfers (<i>Local Technology Match</i>)	1

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$756,589 in contingency (3.57% of the entire budget). The beginning cash balance for beginning the fiscal year is \$1,771,805. Significant Board action that impacts finance includes a \$3,000 increase and benefits related to personnel. Transportation and facility maintenance and repairs are also significant expenses.

The Taylor County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was awarded for the period of March 1, 2008 through September 30, 2010. The first installment of \$150,000 was awarded during FY 07-08 with an additional \$300,000 available in each of the 2nd and 3rd years of the grant period. Its impact is to enable our community to design and implement effective out-of-school programs that will result in improved student achievement, and be sustained through community partnerships at the conclusion of the grant funds.

Questions regarding this report should be directed to the Superintendent (270-465-5371) or to the Finance Officer (270-465-5371) or by mail at 1209 East Broadway, Campbellsville, KY 42718.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
As of June 30, 2008

	Governmental Activities	Business Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,945,229	\$ 189,925	\$ 2,135,154
Inventory		28,232	28,232
Accounts Receivable			-
Taxes - Current	221,629		221,629
Accounts Receivable	85,968		85,968
Intergovernmental - State	38,603		38,603
Intergovernmental – Direct Federal			-
Intergovernmental – Indirect Federal	146,827		146,827
Bond Issue Costs	219,096		219,096
TOTAL CURRENT ASSETS	2,657,352	218,157	2,875,509
NON-CURRENT ASSETS			
Land	1,288,885		1,288,885
Land and Improvements	284,421		284,421
Buildings and Improvements	15,729,209		15,729,209
Furniture and Equipment	5,894,724	590,224	6,484,948
Less: Accumulated Depreciation	(10,370,585)	(435,376)	(10,805,961)
TOTAL NON-CURRENT ASSETS	12,826,654	154,848	12,981,502
TOTAL ASSETS	15,484,006	373,005	15,857,011
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	45,767	218	45,985
Checks Issued in Excess of Cash	34,646		34,646
Deferred Revenue	150,784		150,784
Current Portion of Bond Obligations	695,000		695,000
Current Portion of Accrued Sick Leave	179,631		179,631
Interest Payable	93,658		93,658
TOTAL CURRENT LIABILITIES	1,199,486	218	1,199,704
NON-CURRENT LIABILITIES			
Non-Current Portion of Bond Obligations	8,090,000		8,090,000
Non-Current Portion of Accrued Sick Leave	347,918		347,918
TOTAL NON-CURRENT LIABILITIES	8,437,918		8,437,918
TOTAL LIABILITIES	9,637,404	218	9,637,622
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,041,654	154,848	4,196,502
Restricted for:			
Capital Projects	1,713,192		1,713,192
Inventory		28,232	28,232
Unrestricted	91,756	189,707	281,463
TOTAL NET ASSETS	\$ 5,846,602	\$ 372,787	\$ 6,219,389

See independent auditor's report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

	Expense	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 14,251,334	\$ 6,456	\$ 1,641,670		\$(12,603,208)		\$(12,603,208)
Support Services					-		-
Student	1,019,265		23,980		(995,285)		(995,285)
Instruction Staff	870,855		153,893		(716,962)		(716,962)
District Administrative	486,029		146		(485,883)		(485,883)
School Administrative	1,014,979				(1,014,979)		(1,014,979)
Business	477,040				(477,040)		(477,040)
Plant Operation and Maintenance	1,818,954	420			(1,818,534)		(1,818,534)
Student Transportation	1,470,475		1,742		(1,468,733)		(1,468,733)
Facilities acquisition and construction	60,291			633,075	572,784		572,784
Community Service Activities	219,656		218,924		(732)		
Interest on Long-Term Debt	367,500				(367,500)		(367,500)
TOTAL GOVERNMENTAL ACTIVITIES	22,056,378	6,876	2,040,355	633,075	(19,376,072)		(19,376,072)
BUSINESS-TYPE ACTIVITIES							
Food Service	1,200,861	383,789	728,520	-		(88,552)	(88,552)
TOTAL BUSINESS-TYPE ACTIVITIES	1,200,861	383,789	728,520	-		(88,552)	(88,552)
TOTAL SCHOOL DISTRICT	\$ 23,257,239	\$ 390,665	\$ 2,768,875	\$ 633,075	(19,376,072)	(88,552)	(19,464,624)
GENERAL REVENUES							
Taxes							
Property Taxes					2,776,699		2,776,699
Delinquent Property Taxes					25,262		25,262
Motor Vehicle					561,745		561,745
Utility Taxes					1,061,027		1,061,027
Other Taxes					8,081		8,081
Investment Earnings					224,867	9,022	233,889
State Aid Formula Grants					14,572,663		14,572,663
Gains (loss) on Sale of Fixed Assets					(164,159)		(164,159)
Loss Compensation					5,448		5,448
Miscellaneous					2,342	7,949	10,291
TOTAL GENERAL REVENUES					19,073,975	16,971	19,090,946
Change in Net Assets					(302,097)	(71,581)	(373,678)
Net Assets - Beginning					6,148,699	444,368	6,593,067
Net Assets - Ending					\$ 5,846,602	\$ 372,787	\$ 6,219,389

See independent auditor's report and accompanying notes to financial statements.

#NAME?
BALANCE SHEET - GOVERNMENTAL FUNDS
#NAME?

	General Fund	Special Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES					
Cash and Cash Equivalents	\$ 241,775	\$ -	\$1,703,454	\$ -	\$ 1,945,229
Accounts Receivable					-
Taxes - Current	221,629				221,629
Accounts Receivable	61,712		24,256		85,968
Intergovernmental - State		38,603			38,603
Intergovernmental – Direct Federal					-
Intergovernmental – Indirect Federal		146,827			146,827
TOTAL ASSETS AND RESOURCES	\$ 525,116	\$185,430	\$1,727,710	\$ -	\$ 2,438,256
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Checks Issued in Excess of Cash		\$ 34,646			\$ 34,646
Accounts Payable	31,249		14,518		45,767
Accrued Payroll and Related Expenses					-
Current Portion of Accumulated Sick Leave					-
Deferred Revenue		150,784			150,784
TOTAL LIABILITIES	31,249	185,430	14,518	-	231,197
FUND BALANCES					
Undesignated, Reported in					-
General Fund	493,867				493,867
Capital Projects Funds			1,713,192		1,713,192
TOTAL FUND BALANCES	493,867	-	1,713,192	-	2,207,059
TOTAL LIABILITIES AND FUND BALANCES	\$ 525,116	\$185,430	\$1,727,710	\$ -	\$ 2,438,256

See independent auditor's report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2008

Total fund balances per fund financial statements	\$ 2,207,059
Amounts reported for governmental activities in the statement of assets are different because:	
Capital assets used in government activities are not current financial resources and therefore are not reported as assets in this fund financial statement. The cost of the assets is \$22,569,035, and the accumulated depreciation is \$9,645,359.	12,826,654
Bond issue costs are not current financial resources and therefore are not reported as assets in this fund financial statement.	219,096
Bonds payable are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets.	(8,785,000)
Certain liabilities, (Sick leave and interest payable) are not presented in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(621,207)</u>
Net assets for governmental activities	<u>\$ 5,846,602</u>

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General Fund	Special Revenue (Grant) Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
From Local Sources:					
Taxes					
Property	\$ 2,422,307	\$ -	\$ 379,654	\$ -	\$ 2,801,961
Motor Vehicles	561,745				561,745
Utilities	1,061,027				1,061,027
Other	8,081				8,081
Tuition and Fees	6,456				6,456
Earnings and Investments	222,249	1,339	2,619		226,207
Other Local Revenues	2,763	44,948			47,710
Intergovernmental – State	14,228,489	871,660	633,075		15,733,224
Intergovernmental – Direct federal	19,875	11,239			31,114
Intergovernmental – Indirect federal	30,268	1,111,170			1,141,438
TOTAL REVENUES	18,563,258	2,040,355	1,015,348	-	21,618,962
EXPENDITURES					
Instruction	12,767,631	1,672,525			14,440,156
Support Services					-
Student	942,921	23,980			966,901
Instructional Staff	715,828	153,893			869,721
District Administration	477,697	146			477,843
School Administration	1,013,447				1,013,447
Business Support Services	474,250				474,250
Plant Operations and Maintenance	1,761,275		217,724		1,978,999
Student Transportation	1,496,764	1,742			1,498,506
Facilities Acquisition and Construction	45,763		14,528		60,291
Community Service Activities	732	218,924			219,656
Debt Service	119,482		719,634		839,116
TOTAL EXPENDITURES	19,815,791	2,071,209	951,886	-	22,838,886
Excess (Deficit) of Revenues Over Expenditures	(1,252,532)	(30,854)	63,462	-	(1,219,924)
OTHER FINANCING SOURCES (USES)					
Net proceeds from sale of fixed assets	5,448				5,448
Operating Transfers In		30,854			30,854
Operating Transfers Out	(30,854)				(30,854)
TOTAL OTHER FINANCING SOURCES (USES)	(25,406)	30,854	-	-	5,448
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,277,938)	-	63,462	-	(1,214,476)
Fund Balance June 30, 2007	1,771,805	-	1,649,730		3,421,535
Fund Balance June 30, 2008	\$ 493,867	\$ -	\$ 1,713,192	\$ -	\$ 2,207,059

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

NET CHANGE - GOVERNMENTAL FUNDS \$ (1,214,476)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation Expense	(859,259)	
Capital Outlays	1,105,164	
		245,905

Bond proceeds are reported as financial sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal Paid:		
District	529,682	
State	250,318	
		780,000

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Accrued Interest Payable	11,214	
Accrued Sick Leave	64,985	
Bond Amortization Cost	(25,566)	
		50,633

In the statement of activities the net gain on the sale/disposal of assets is reported in, whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from the change in fund balances by the cost of the assets sold/disposed.	(164,159)
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Change in net assets of governmental activities	\$ <u>(302,097)</u>
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TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2008

	Food Service Fund	Other Enterprise Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 189,925	\$ -	\$ 189,925
Inventory	28,232		28,232
Accounts Receivable			-
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	218,157		218,157
NON-CURRENT ASSETS			
Capital Assets	590,224		590,224
Less: Accumulated Depreciation	(435,376)		(435,376)
	<hr/>	<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS	154,848		154,848
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 373,005</u>	<u></u>	<u>\$ 373,005</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 218	\$ -	\$ 218
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	218		218
NET ASSETS			
Reserved for Inventory	28,232		28,232
Invested in Capital Assets, Net of Related Debt	154,848		154,848
Unrestricted	189,707		189,707
	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS	372,787		372,787
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 373,005</u>	<u>\$ -</u>	<u>\$ 373,005</u>

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Food Service Fund	Other Enterprise Fund	Total
OPERATING REVENUES			
Lunchroom Sales	\$ 383,789	\$ -	\$ 383,789
Other Operating Revenues	7,949		7,949
			-
TOTAL OPERATING REVENUES	391,738		391,738
			-
OPERATING EXPENSES			
Salaries and Wages	626,518		626,518
Contract Services	21,004		21,004
Material and Supplies	525,433		525,433
Depreciation	22,310		22,310
Other Operating Expenses	5,596		5,596
			-
TOTAL OPERATING EXPENSES	1,200,861		1,200,861
			-
OPERATING INCOME (LOSS)	(809,123)		(809,123)
			-
NON-OPERATING REVENUES (EXPENSES)			
Federal Grants	601,564		601,564
Donated Commodities	34,781		34,781
State Grants	92,175		92,175
Interest Income	9,022		9,022
Gain (Loss) on Sale of Asset			-
			-
TOTAL NON-OPERATING REVENUES (EXPENSES)	737,542		737,542
			-
NET INCOME (LOSS)	(71,581)		(71,581)
			-
Retained Earnings June 30, 2007	444,368		444,368
			-
Retained Earnings June 30, 2008	\$ 372,787	\$ -	\$ 372,787

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From	
Lunchroom sales	\$ 383,789
Government sales	615,827
Other activities	7,949
Cash paid to/for	
Employees	(548,606)
Supplies	(487,393)
Other activities	<u>(26,601)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(55,035)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	<u>(22,588)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(22,588)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of interest income	<u>9,022</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>9,022</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,600)

Balances, Beginning of Year	<u>258,527</u>
Balances, End of Year	<u><u>\$ 189,927</u></u>

RECONCILIATION OF CHANGE IN NET INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Net Income (Loss)	\$ (71,581)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	22,310
Interest	(9,022)
Sale of Asset	
Change in assets and liabilities	
(Increase) Decrease in Receivables	-
(Increase) Decrease in Inventory	3,161
Increase (Decrease) in Accounts Payable	<u>97</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (55,035)</u></u>

SCHEDULE OF NON-CASH TRANSACTIONS

On Behalf Payments from the State for Employee Benefits	\$ 77,912
Donated Commodities Received from Federal Government	34,781

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of June 30, 2008

	<u>Agency Funds</u>	<u>Other Fiduciary Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 175,251	\$ -	\$ 175,251
Accounts Receivable	<u>1,035</u>		<u>1,035</u>
TOTAL ASSETS	176,286	-	176,286
LIABILITIES			
Due to Student Groups	174,829		174,829
Accounts Payable	<u>1,457</u>		<u>1,457</u>
TOTAL LIABILITIES	<u>176,286</u>	<u>-</u>	<u>176,286</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Taylor County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Taylor County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Taylor County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Taylor County Board of Education Finance Corporation – On November 19, 1990, the Taylor County, Kentucky, Board of Education resolved to authorize the establishment of the Taylor County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

- Governmental Fund Types

1. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
2. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 39 through 40. This is a major fund of the District.
3. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - a. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - c. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

- Proprietary Fund Types (Enterprise Fund)

1. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
2. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Fiduciary Fund Types

The Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported in inventory.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$.433 per \$100 valuation for real property, \$.442 per \$100 valuation for business personal property and \$.537 per \$100 valuation for motor vehicles.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The non-current portion of the liability is not reported.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- The budget can be amended after initial approval.
- Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.
- On-Behalf payments were not considered in the budget.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,275,759. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2008 consisted of the following:

	Bank Balance	Book Balance
Checking accounts	\$ 4,052,635	\$ 2,190,759
Certificates of Deposit	85,000	85,000
	<u>\$ 4,137,635</u>	<u>\$ 2,275,759</u>

Breakdown per financial statements:

Governmental Funds	\$ 3,749,505	\$ 1,910,583
Proprietary Funds	192,741	189,925
Agency Funds	195,389	175,251
	<u>\$ 4,137,635</u>	<u>\$ 2,275,759</u>

TAYLOR COUTNY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Land	\$ 1,573,306	\$ -	\$ -	\$ 1,573,306
Buildings and Building Improvements	15,840,469	181,719	292,979	15,729,209
Technology equipment	1,426,330	397,553	328,701	1,495,182
Vehicles	2,633,837	228,088	8,000	2,853,925
General Equipment	1,266,722	297,804	18,909	1,545,617
Construction				-
Totals at historical cost	<u>22,740,664</u>	<u>1,105,164</u>	<u>648,589</u>	<u>23,197,239</u>
Less accumulated depreciation for:				
Land	55,304	14,221		69,525
Buildings and Building Improvements	6,461,053	337,780	166,999	6,631,834
Technology Equipment	996,707	178,981	301,596	874,092
Vehicles	1,627,003	207,125	8,000	1,826,128
General Equipment	855,690	121,152	7,836	969,006
Construction				-
Total accumulated depreciation	<u>9,995,757</u>	<u>859,259</u>	<u>484,431</u>	<u>10,370,585</u>
Governmental Activities Capital Net	<u>\$ 12,744,907</u>	<u>\$ 245,905</u>	<u>\$ 164,158</u>	<u>\$ 12,826,654</u>
PROPRIETARY ACTIVITIES				
Land	\$ -	\$ -	\$ -	\$ -
Buildings and Building Improvements				
Technology Equipment	24,622	720	8,764	16,578
Vehicles				-
General Equipment	567,040	21,868	15,262	573,646
Construction				-
Totals at historical cost	<u>591,662</u>	<u>22,588</u>	<u>24,026</u>	<u>590,224</u>
Less Accumulated Depreciation For:				
Land				-
Buildings and Buildings Improvement				-
Technology Equipment	16,509	3,022	8,764	10,767
General Equipment	420,583	19,288	15,262	424,609
Construction				
Total Accumulated Depreciation	<u>437,092</u>	<u>22,310</u>	<u>24,026</u>	<u>435,376</u>
Proprietary Activities Capital Net	<u>\$ 154,570</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ 154,848</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Year Ended June 30, 2008

NOTE 4 – CAPITAL ASSETS – CONTINUED

Depreciation Expense Charged to Governmental Functions as Follows:

Instructional	\$ 586,992
Student Support Services	52,365
Staff Support Services	1,134
District Administration	8,186
School Administration	1,532
Business Support Services	2,790
Plant Operation and Maintenance	11,853
Student Transportation	194,407
Central Office	
Community Service Operations	
Total	<u>\$ 859,259</u>

NOTE 5 – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to bonds issued by the Fiscal Court of Taylor County and Taylor County School District Finance Corporation:

ISSUE	DISTRICT ORIGINAL AMOUNT	SFCC ORIGINAL AMOUNT	INTEREST RATE RANGES	MATURITY DATES
Issue of May, 1998	\$ 1,320,690	\$ 719,310	4.05 % - 4.50 %	Aug. 1, 2010
Issue of July, 1999	\$ 1,525,825	\$ 729,175	4.25 % - 5.25 %	June 1, 2019
Issue of Aug., 2002	\$ 1,475,000	-	1.50 % - 4.2 %	Feb. 1, 2018
Issue of April, 2005	\$ 1,320,000	-	2.65 % - 4.50 %	Apr. 1, 2024
Issue of April, 2005	\$ 1,917,880	\$ 192,120	2.00 % - 3.625 %	Oct. 1, 2014
Issue of Aug., 2005	\$ 1,942,049	\$ 137,951	2.75% - 4.00%	Aug. 1, 2016
Issue of Jan., 2007	\$ 103,763	\$ 166,237	5%	June 1, 2011
Issue of Feb., 2007	\$ 1,371,053	\$ 408,947	4%	June 1, 2019

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Taylor County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 5 – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

YEAR	TAYLOR COUNTY SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2008-09	550,955	288,487	144,045	35,061	1,018,548
2009-10	564,990	297,852	140,010	28,961	1,031,813
2010-2011	592,363	245,758	112,637	23,565	974,323
2011-2012	615,189	223,786	74,811	19,685	933,471
2012-2013	636,874	202,765	78,126	17,034	934,799
2014-2018	3,433,064	657,092	336,936	44,711	4,471,803
2019-2023	1,264,829	169,812	55,171	2,138	1,491,950
2024-2028	185,000	8,326			193,326
Totals	<u>\$ 7,843,264</u>	<u>\$ 2,093,878</u>	<u>\$ 941,736</u>	<u>\$ 171,155</u>	<u>\$ 11,050,033</u>

SFCC made principal and interest payments on behalf of the district in the years ended June 30, 2008 and 2007 of \$294,005 and \$244,531, respectively. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the government-wide statement of activities.

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2008 is as follows:

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
School Building Revenue Bonds:				
Issue of Apr., 1997	\$ 275,000		275,000	-
Issue of May, 1998	1,080,000		170,000	910,000
Issue of Aug., 2002	1,165,000		85,000	1,080,000
Issue of April, 2005	1,955,000		50,000	1,905,000
Issue of April, 2005	1,245,000		20,000	1,225,000
Issue of Aug., 2005	1,865,000		115,000	1,750,000
Issue of Jan., 2007	1,765,000		10,000.00	1,755,000
Issue of Feb., 2007	215,000		55,000.00	160,000
	<u>\$ 9,565,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>	<u>\$ 8,785,000</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 6 – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2008 as follows:

Year ending June 30:		
	2009	\$ 45,774
	2010	<u>26,770</u>
Total Minimum Payments		<u>\$ 72,544</u>

Rent expense for the year ended June 30, 2008 was \$57,777.

NOTE 7 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

A summary of the changed in the accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2008 is as follows:

Balance as of July 1, 2007	\$ 592,535
Additions	90,660
Less payments	<u>(155,646)</u>
Balance as of June 30, 2008	527,549
Less current portion	<u>(179,631)</u>
Non-current portion	<u>\$ 347,918</u>

NOTE 8 – RETIREMENT PLANS

The Taylor County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 8 – RETIREMENT PLANS – CONTINUED

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 16.17% of the employee's total compensation subject to contribution.

The Board's total payroll for the year ended June 30, 2008 was \$14,272,193. The payroll for employees covered under KTRS was \$10,962,236 and for CERS was \$3,309,957. For the year ended, the Commonwealth contributed \$1,396,899 to KTRS for the benefit of its participating employees. The School District's contributions to KTRS for the year ending June 30, 2008 were \$39,702, which represents those employees covered by federal programs. The contribution requirement for CERS for the year ended June 30, 2008 was \$700,717 which consisted of \$535,218 from the Board and \$165,499 from the employees. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

Assets Available for Benefits - CERS

	CERS as of June 30, 2007	CERS as of June 30, 2006	CERS as of June 30, 2005
	(In Thousands)		
Assets Available for Benefits, at Fair Value	\$ 7,107,113	\$ 6,677,969	\$ 6,511,562
Pension Benefit Obligation	<u>8,868,182</u>	<u>8,199,712</u>	<u>7,180,924</u>
(Under Funded/Over Funded Pension Benefit Obligation	<u>\$ (1,761,069)</u>	<u>\$ (1,521,743)</u>	<u>\$ (669,362)</u>

Total Plan Contributions - CERS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	\$ 230,153,516	Not Available	-
2006	\$ 215,947,317	\$ 217,314,868	100.63%
2005	\$ 159,730,588	\$ 161,255,053	101.00%

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 8 – RETIREMENT PLANS (CONTINUED)

The following table presents the last three years of the total of all employer contributions to the Plan and the Company's contributions for the year ending June 30:

District Contributions - CERS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	\$ 535,217	\$ 535,217	100.00%
2007	\$ 573,571	\$ 573,571	100.00%
2006	\$ 478,675	\$ 478,675	100.00%

Assets Available for Benefits - KTRS

	KTRS as of June 30, 2007	KTRS as of June 30, 2006 (In Thousands)	KTRS as of June 30, 2005
Assets Available for Benefits, at Fair Value	\$ 15,284,955	\$ 14,857,641	\$ 14,598,843
Pension Benefit Obligation	21,254,974	20,324,781	19,134,870
 (Under Funded/Over Funded Pension Benefit Obligation	 \$ (5,970,019)	 \$ (5,467,140)	 \$ (4,536,027)

Total Plan Contributions - KTRS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	\$ 494,565,369	\$ 421,565,369	85.00%
2006	\$ 406,100,000	\$ 406,100,000	100.00%
2005	\$ 383,776,826	\$ 383,776,826	100.00%

District Contributions - KTRS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	\$ 1,120,014	\$ 1,120,014	100.00%
2007	\$ 1,034,489	\$ 1,034,489	100.00%
2006	\$ 1,006,269	\$ 1,006,269	100.00%

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 11 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, including Workers' Compensation insurance.

NOTE 12 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 13 - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance.

NOTE 14 - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 30,854

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2008

NOTE 15 – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. For the year ended June 30, 2008, total payments were \$3,560,305. The following amounts were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities:

Kentucky Teacher's Retirement System	\$ 1,396,900
Vocational Education	96,345
Health Insurance	1,932,460
Life Insurance	8,822
Administrative Fees	23,800
Flexible Plans	203,525
Less: Federal Reimbursements	<u>(101,547)</u>
Total	<u>\$ 3,560,305</u>

NOTE 16 – LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

SUPPLEMENTARY SCHEDULES

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources:				
Taxes				
Property	\$ 2,215,334	\$ 2,201,836	\$ 2,422,307	\$ 220,471
Motor Vehicle	503,407	478,294	561,745	83,451
Utilities	850,000	975,000	1,061,027	86,027
Other	10,000	10,000	8,081	(1,919)
Tuition and Fees	5,400	5,400	6,456	1,056
Earnings on Investments	160,000	160,000	222,249	62,249
Other Local Revenues	10,500	10,500	2,763	(7,738)
Intergovernmental – State	11,159,298	10,813,306	14,228,489	3,415,183
Intergovernmental – Direct federal	25,000	25,000	19,875	(5,125)
Intergovernmental – Indirect federal	35,000	35,000	30,268	(4,732)
TOTAL REVENUES	14,973,939	14,714,336	18,563,258	3,848,922
EXPENDITURES				
Instruction	9,878,875	9,668,875	12,767,631	(3,098,756)
Support Services				-
Student	673,264	748,686	942,921	(194,235)
Instructional Staff	606,265	606,265	715,828	(109,563)
District Administration	341,531	340,336	477,697	(137,361)
School Administration	869,509	821,509	1,013,447	(191,938)
Business Support Services	546,682	521,682	474,250	47,432
Plant Operations and Maintenance	1,461,818	1,451,818	1,761,275	(309,457)
Student Transportation	1,524,486	1,379,794	1,496,764	(116,970)
Facilities Acquisition and Construction	42,000	30,000	45,763	(15,763)
Community Services	1,150	1,150	732	418
Miscellaneous	875,886	756,589		
Debt Services	119,437	119,437	119,482	(45)
TOTAL EXPENDITURES	16,940,903	16,446,141	19,815,791	(4,126,239)
Excess (Deficit) of Revenues Over Expenditures	(1,966,964)	(1,731,805)	(1,252,532)	(277,316)
OTHER FINANCING SOURCES (USES)				
Net proceeds from sale of fixed assets			5,448	5,448
Operating Transfers In			-	-
Operating Transfers Out	(40,000)	(40,000)	(30,854)	9,146
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	(40,000)	(25,406)	14,594
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,006,964)	(1,771,805)	(1,277,938)	(262,722)
Fund Balance June 30, 2007	2,006,964	1,771,805	1,771,805	-
Fund Balance June 30, 2008	\$ -	\$ -	\$ 493,867	\$ (262,722)

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Earnings and Investments	\$ -	\$ -	\$ 1,339	\$ 1,339
Other Local Revenues	21,281	21,281	44,948	23,667
Intergovernmental – State	861,089	946,465	871,660	(74,805)
Intergovernmental –Direct federal	100,000	-	11,239	11,239
Intergovernmental –Indirect federal	1,104,797	1,225,853	1,111,170	(114,683)
TOTAL REVENUES	2,087,167	2,193,599	2,040,355	(153,244)
EXPENDITURES				
Instruction	1,799,102	1,869,315	1,672,525	196,790
Support Services				-
Student	23,322	22,880	23,980	(1,100)
Instructional Staff	103,152	138,403	153,893	(15,490)
District Administration			146	(146)
School Administration			-	-
Business Support Services			-	-
Plant Operations and Maintenance			-	-
Student Transportation	-	-	1,742	(1,742)
Facilities Acquisition and Construction				-
Community Services	201,591	203,001	218,924	(15,923)
Debt Service				-
TOTAL EXPENDITURES	2,127,167	2,233,599	2,071,209	(162,390)
Excess (Deficit) of Revenues Over Expenditures	(40,000)	(40,000)	(30,854)	9,146
OTHER FINANCING SOURCES (USES)				-
Operating Transfers In	40,000	40,000	30,854	(9,146)
TOTAL OTHER FINANCING SOURCES (USES)	40,000	40,000	30,854	(9,146)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance June 30, 2007	-	-	-	-
Fund Balance June 30, 2008	\$ -	\$ -	\$ -	\$ -

TAYLOR COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL FUND - CAPITAL PROJECT FUNDS
As of June 30, 2008

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	Total Capital Project Funds
ASSETS AND RESOURCES				
Cash and Cash Equivalents	\$ -	\$ 1,703,454	\$ -	\$ 1,703,454
Accounts Receivable	<u>24,256</u>			<u>24,256</u>
TOTAL ASSETS AND RESOURCES	<u>24,256</u>	<u>1,703,454</u>	<u>-</u>	<u>1,727,710</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	<u>14,518</u>	<u>-</u>	<u>-</u>	<u>14,518</u>
TOTAL LIABILITIES	14,518	-	-	14,518
FUND BALANCES				
Unreserved				
Undesignated, Reported In Capital projects funds	<u>9,738</u>	<u>1,703,454</u>	<u>-</u>	<u>1,713,192</u>
TOTAL FUND BALANCES	<u>9,738</u>	<u>1,703,454</u>	<u>-</u>	<u>1,713,192</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,256</u>	<u>\$ 1,703,454</u>	<u>\$ -</u>	<u>\$ 1,727,710</u>

TAYLOR COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
 For the Year Ended June 30, 2008

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	Total Capital Project Funds
REVENUES				
Taxes	\$ -	\$ 379,654	\$ -	\$ 379,654
Earnings on Investments	-	2,619		2,619
Intergovernmental – State	241,990	391,085		633,075
TOTAL REVENUES	241,990	773,358	-	1,015,348
EXPENDITURES				
Support services				
Plant operation and maintenance	217,724			217,724
Facilities Acquisition and Construction	14,528			14,528
Debt Service		719,634		719,634
TOTAL EXPENDITURES	232,252	719,634	-	951,886
Excess (Deficit) of Revenues Over Expenditures	9,738	53,724	-	63,462
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,738	53,724	-	63,462
Fund Balance June 30, 2007	-	1,649,730		1,649,730
Fund Balance June 30, 2008	\$ 9,738	1,703,454	\$ -	\$ 1,713,192

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS
For the Year Ended June 30, 2008

	Cash Balance July 1, 2007	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2008	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2008
Academic Team	\$ 59	\$ 311	\$ 109	\$ 261	\$ -	\$ -	\$ 261
Agriculture Greenhouse	2,022	10,790	4,836	7,975	-	-	7,975
Art	461	3,664	3,139	986	-	-	986
Athletics	12,290	136,112	127,162	21,240	-	-	21,240
Band	7,357	39,336	36,013	10,680	-	-	10,680
Beta Club	1,254	7,885	7,291	1,847	-	-	1,847
Business Department	987	1,447	1,106	1,328	-	-	1,328
Cardinal Cradle	2,546	1,458	2,178	1,826	-	-	1,826
Cardinal Financial CTR	364	1,551	935	981	-	-	981
Cardinal Kroger	3,125	19,685	22,809	-	-	-	-
Cheerleading	3	-	-	3	-	-	3
Chorus	1,879	31,629	29,937	3,571	-	-	3,571
Concessions - Students	3,049	6,144	7,649	1,543	-	-	1,543
Concessions - Athletics	137	4,062	3,167	1,032	-	-	1,032
Concessions - Lounge	599	2,771	2,733	637	-	-	637
Courtyard Project	972	-	86	886	-	-	886
Creative Writer's Club	28	234	245	17	-	-	17
Culture Awareness	206	900	92	1,014	-	-	1,014
Dance Team	1,058	-	-	1,058	-	-	1,058
DECA	115	8,782	8,802	95	-	-	95
Driver's Education	2,013	1,183	1,168	2,028	-	-	2,028
Drama	160	6,572	6,497	235	-	-	235
English	20	355	375	-	-	-	-
Future Educators		4,969	4,885	84	-	-	84
Faculty Flower Fund	136	720	856	-	-	-	-
Family/Consumer	852	2,830	2,337	1,345	-	-	1,345
Foreign Language	119	90	13	195	-	-	195
Class of 2011	769	4,923	2,904	2,787	-	-	2,787
FBLA	681	879	750	810	-	-	810
FCA	1,580	6,130	6,736	974	-	-	974
FFA	1,805	38,430	37,011	3,223	-	-	3,223
FCCLA (FHA)	1,665	13,306	13,999	972	-	-	972
Floral Designs	2	1,146	1,139	10	-	-	10

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS - CONTINUED
For the Year Ended June 30, 2008

	Cash Balance July 1, 2007	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2008	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2008
General	9,886	50,937	49,137	11,685	1,035	-	12,720
Greenhouse Entrepreneur	403	5,979	4,081	2,301	-	-	2,301
Guidance	303	3,372	3,675	-	-	-	-
Health & PE	502	13,902	13,179	1,225	-	-	1,225
Industrial Technology	75	1,900	1,869	105	-	-	105
Class of 2009	397	23,834	21,203	3,027	-	-	3,027
Class of 2008	5,015	2,529	7,544	-	-	-	-
Library	179	353	319	213	-	-	213
Math		297	297	-	-	-	-
Marcum Monument	66	-	-	66	-	-	66
One Room School	1,706	-	-	1,706	-	-	1,706
Newspaper	293	627	640	280	-	-	280
Pep Club	1,367	3,270	4,054	583	-	-	583
Science Club	227	5,333	5,339	220	-	-	220
Science Department	3,967	3,699	6,266	1,399	-	-	1,399
Senior Trip	-	21,588	21,588	-	-	-	-
Class of 2010	71	1,348	807	612	-	-	612
Social Studies Dept	230	485	230	485	-	-	485
Student Government	562	1,013	1,061	514	-	-	514
Swim Team		720	472	247	-	-	247
TCHS Track & CC	2,177	103	2,280	-		-	
Tech. Students Association	107	875	531	451	-	-	451
Text Books	11,440	7,898	11,440	7,898	-	-	7,898
WTCH	264	400	9	655	-	-	655
Yearbook	4,749	8,898	8,898	4,749	-	-	4,749
Y Club	1,193	6,104	6,169	1,128	-	-	1,128
Young Historians	1,997	3,552	3,558	1,990	-	-	1,990
Volleyball	13	-	-	13	-	-	13
Less: Interfund Transfers		(2,901)	(2,901)	-	-	-	-
Taylor County High School	95,499	524,406	508,707	111,197	1,035	-	112,233
Taylor County Middle School	28,273	142,979	131,363	39,889	-	-	39,889

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
FOR ACTIVITY FUNDS - CONTINUED
For the Year Ended June 30, 2008

	Cash Balance July 1, 2007	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2008	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2008
Taylor County Elementary	18,450	117,797	112,082	24,165	-	1,457	22,708
Total	<u>\$ 142,222</u>	<u>\$ 785,181</u>	<u>\$ 752,152</u>	<u>\$ 175,251</u>	<u>\$ 1,035</u>	<u>\$ 1,457</u>	<u>\$ 174,829</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Disbursements</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	3107	\$ 172,142
Title I Grants to Local Educational Agencies	84.010A	3107D	26,049
Title I Grants to Local Educational Agencies	84.010A	3108	188,290
Title I Grants to Local Educational Agencies	84.010A	3108D	16,304
Title I Grants to Local Educational Agencies	84.010	3206	399
Title I Grants to Local Educational Agencies	84.010	3207	27,698
Title I Grants to Local Educational Agencies	84.010	3208	25,435
			<u>456,317</u>
Special Education Cluster:			
Special Education - Grants to States	84.027A	3368P	10,000
Special Education_Grants to States	84.027A	3378	461,401
Special Education - Preschool Grants	84.173A	3437	16,970
Total Special Education Cluster			<u>488,371</u>
Vocational Education_Basic Grants to States	84.048	3487	3,356
Vocational Education_Basic Grants to States	84.048	3487A	680
Vocational Education_Basic Grants to States	84.048	3488	18,910
			<u>22,946</u>
Vocational Rehabilitation Grants to States	84.126	3768	15,050
			<u>15,050</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	4068	9,913
			<u>9,913</u>
State Grants for Innovative Programs	84.298	3348	4,166
			<u>4,166</u>
Education Technology State Grants	84.318	4257	785
Education Technology State Grants	84.318	4258	1,968
			<u>2,753</u>
Improving Teacher Quality State Grant	84.367	4017	10,886
Improving Teacher Quality State Grant	84.367	4018	99,590
			<u>110,476</u>
Grants for State Assessments and Related Activities	84.369	3977	1,179
			<u>1,179</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			1,111,171

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Kentucky Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002 07	110,594
National School Lunch Program	10.555	7750002 08	353,392
School Breakfast Program	10.553	7760005 07	30,930
School Breakfast Program	10.553	7760005 08	106,648
Total Child Nutrition Cluster			<u>601,564</u>
Passed through the Kentucky Department of Agriculture			
Food Donation Program	10.550		34,781
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>636,345</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,747,516</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Taylor County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued:

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are
Not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified _____ Yes X No
- Reportable condition(s) identified that are
Not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with
Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number
84.010, 84.010A
84.027A, 84.173A

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies
Special Education Cluster

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement of Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2008

The audit of Taylor County School District for the year ended June 30, 2007, revealed no audit findings requiring corrective action.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky 42718

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Taylor County School District as of and for the year ended June 30, 2008, which collectively comprise the Taylor County School District's basic financial statements and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Taylor County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Taylor County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metcalfe County School district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Taylor County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Taylor County School District's financial statements that is more than inconsequential will not be prevented or detected by the Taylor County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Taylor County School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taylor County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or state audit requirements.

Members of the Board of Education
Taylor County School District
Page 2

We noted certain matters that we reported to management of the Taylor County School District in a separate letter dated October 29, 2008.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Taylor County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities and is not intended to be and should not be use by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

October 29, 2008



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky 42718

Compliance

We have audited the compliance of Taylor County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Taylor County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Taylor County School District's management. Our responsibility is to express an opinion on Taylor County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District audits in Appendix I of the Independent Auditor's contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Taylor County School District's compliance with those requirements.

In our opinion, Taylor County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of Taylor County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Taylor County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contract and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Taylor County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

October 29, 2008

MANAGEMENT LETTER



WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

October 29, 2008

Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky

In planning and performing our audit of the financial statements of Taylor County School District for the year ended June 30, 2008, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the school activity funds.

In connection with our tests for the activity funds, the following observations were made concerning the prior year management letter points:

Prior fiscal year condition – Multiple Receipts Form not being used in all occurrences where the form is needed.

Observation – Multiple receipt form not being used in all occurrences where needed at the Taylor County Middle School and the Taylor County High School. We will address as a current year condition.

Prior fiscal year condition – Activity fund ticket sales not being followed by the Taylor County Show Choir.

Observation - Show Choir tickets sales were better documented.

Prior fiscal year condition – Activity Fund booster club procedures are not being followed at Taylor County High School concerning the timeliness of financial statement submission.

Observation - Not all booster clubs are timely submitting their financial statement. We will address as a current year condition.

Prior fiscal year condition – Fundraiser Approval Form (Form F-SA-2A) and Fundraiser Worksheet (Form F-SA-2B) are not being used for all fundraising events at Taylor County High School.

Observation – Approval of fund raisers were documented but the fundraiser worksheets are not being used in all fundraising activities. We will address as a current year condition.

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MEMBERS: AICPA • KYCPA

Members of the Board of Education
Taylor County School District
Page 2

The following memorandum discusses the current year management letter points. We will review the status of these comments during our next audit engagement. We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the Board is complying with requirements such as those mentioned in the following memorandum.

Sincerely,

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

TAYLOR COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
October 29, 2008

Fiduciary Funds – School Activity Funds

- I. Condition – Multiple Receipts Form not being used in all occurrences where form is needed. There were two (2) occurrences noted at the Taylor County Middle School and four (4) occurrences noted at the Taylor County High School where multiple receipt forms should have been used but were not.

Criteria – Accounting Procedures for Kentucky School Activity Funds requires the use of Multiple Receipt Form (Form F-SA- 6) when collecting money from students or individuals.

Cause – School employees are not being properly trained to have a proper understanding of the requirements for collection of money and handling cash receipts.

Effect – Non Compliance with Accounting Procedures for Kentucky School Activity Funds.

Recommendation – Educate personnel about proper procedures for handling cash per the “Red Book” with an emphasis on the proper use of the Multiple Receipt Form (FA-SA-6).

Response – Management agrees with the finding and the recommendation will be implemented.

- II. Condition – Activity fund booster club procedures are not being followed at Taylor County High School concerning the submission of financial statements. Booster club financial statements had not been submitted for Girls Basketball and Girls Volleyball as of July 30th which was the end of fieldwork at the high school.

Criteria – Accounting Procedures for Kentucky School Activity Funds requires booster club financial statements to be submitted by July 25th of each year for the school year just ended.

Cause – School booster club officers are not being properly trained to have a proper understanding of the requirements for booster clubs.

Effect – Non Compliance with Accounting Procedures for Kentucky School Activity Funds.

Recommendation – Educate booster club officers about proper procedures for booster club accountability.

Response – Management agrees with the finding and the recommendation will be implemented.

- III. Condition – Fundraiser Worksheet (Form F-SA-2B) is not being used for all fundraising activities at Taylor County High School. Approval was found for eighty-four (84) fundraising events for the 2007-2008 school year but only nine (9) fundraising worksheets documenting fundraising activity could be found. Auditor’s realize not all approved fundraisers actually took place, but the wide disparity of approved fundraisers to actual worksheets causes concern that proper procedures are not being done for the school’s fundraising activities.

Criteria – Accounting Procedures for Kentucky School Activity Funds requires the use of Fundraiser Worksheet (Form F-SA-2B) to document fundraising activity.

Cause – School employees are not being properly trained concerning fundraising activities.

Effect – Non Compliance with Accounting Procedures for Kentucky School Activity Funds.

Recommendation – Educate personnel to use Fundraiser Worksheet Form (Form F-SA-2B) to document all fundraising activity. If feasible, establishing a separate file or drawer containing all information for fundraisers is recommended.

Response – Management agrees with the finding and the recommendation will be implemented.